

JULY / AUGUST 2013

# INSIDE *A*LEC

A PUBLICATION OF THE AMERICAN LEGISLATIVE EXCHANGE COUNCIL

## INTERNATIONAL RELATIONS and ENERGY, ENVIRONMENT and AGRICULTURE EDITION

**Our Next Economic Stimulus: LNG Exports**  
By The Honorable Bill Johnson, Ohio (CD-6)

**North Dakota: Energy & Jobs**  
By The Honorable Bette Grande, North Dakota (HD-41)

**The Energy Link: Energy-Producing States  
and Unemployment**  
By Todd Wynn and John Eick







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DESIGN / LAYOUT  
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# LEADERSHIP PROFILES



Public Sector Chairman Profile:

**The Honorable Thomas A. Lockhart - Wyoming (HD-57)**

Chairman - Task Force on Energy, Environment and Agriculture

**THE HONORABLE TOM LOCKHART** was born in Casper, Wyo., and graduated with a B.S. in Electrical Engineering from the University of Wyoming. He earned a Master's in Business Administration from Portland State University and has done advanced management study at both Stanford and Harvard. Rep. Lockhart performed active duty service in Korea and was honorably discharged as a First Lieutenant.

Rep. Lockhart had an extensive executive career in the electric utility industry with PacifiCorp in Wyoming, Oregon, Idaho and Utah and with Black Hills Corporation in South Dakota, Wyoming and Montana. Rep. Lockhart served on the executive committee of the Western Systems Coordinating Council, was president of the Rocky Mountain Electric League and served on the steering committee of the Grand Canyon Visibility Transport Commission.

Currently, Rep. Lockhart serves as the vice chairman of Wyoming's School of Energy Resources and the Advanced Conversion Technology Task Force. Additionally, Rep. Lockhart chairs the Committee on Minerals, Business and Economic Development in the Wyoming House of Representatives.

Rep. Lockhart has been involved with economic development as past president of two Wyoming Chambers of Commerce. Additionally, he was part of Governor Mike Sullivan's Economic Round Table and Governor Jim Geringer's Steering Committee for Economic Development, which led to Wyoming's Business Council.

He and his wife, Lynn, have four children, three of whom are electrical engineers and one who is married to an electrical engineer. The families, who combined have ten children, live in Ohio, Iowa, Washington and Norway, with one son currently serving in Afghanistan.



Private Sector Chairman Profile:

**Paul Loeffelman - Director, Corporate International Affairs and U.S. External Affairs**

American Electric Power Company

Chairman - Task Force on Energy, Environment and Agriculture

**MR. PAUL LOEFFELMAN** is the Director, Corporate International Affairs and U.S. External Affairs for American Electric Power Company (AEP) and serves as the private sector co-chair of the Task Force on Energy, Environment and Agriculture.

In his role at AEP, Mr. Loeffelman is responsible for developing state, regional and federal public policies in the United States related to all aspects of current and emerging energy efficiency and grid modernization issues, including policy issues, technologies and customer programs. He works closely with AEP's operating companies on environmental and clean energy electric generating public policy issues in the 11 states they serve.

Mr. Loeffelman is also responsible for international affairs, developing, managing and advocating for international public policies; working with multinational business coalitions such as the World Business Council for Sustainable Development, Global Sustainable Electricity Partnership; and non-government organizations (NGOs) such as the United Nations and United Nations Foundation.

In addition, Mr. Loeffelman facilitates opportunities for AEP to engage in business outside the United States by analyzing business interests and actions of foreign corporations and developing and helping implement joint cooperation plans and building and sustaining international relations on behalf of the executive leadership team with foreign businesses and coalitions, foreign governments and non governmental organizations.

Mr. Loeffelman began his career with American Electric Power in 1976 after earning Bachelor and Master of Science degrees from Dickinson College in Pennsylvania and Virginia Polytechnic Institute and State University, respectively.

American Electric Power is one of the nation's largest electricity generators. AEP is also one of the largest electric utilities in the United States, with more than five million customers linked to AEP's 11-state electricity transmission and distribution grid.



Public Sector Chairman Profile:

## The Honorable Tim Moffitt - North Carolina (HD-116)

Chairman – Task Force on International Relations

**THE HONORABLE TIM MOFFITT** is currently serving his second term in the North Carolina General Assembly. He has served as the Public Chairman of the Task Force on International Relations since 2012 and was named to the national Board of Directors earlier this year. He was also a participant in the Task Force's Conservative Party Conference Academy in October 2011.

A strong advocate of private property rights, good government and fiscal responsibility, Representative Moffitt quickly established himself to be one of the legislature's most prolific and effective leaders and was primarily responsible for the comprehensive reform of North Carolina's long-standing annexation laws during his freshman term in the House.

Representative Moffitt currently serves on these nine committees in the North Carolina House:

1) Committee on Regulatory Reform, which he chairs; 2) Committee on Commerce and Job Development (Vice-Chairman); 3) State Personnel Committee (Vice Chairman); 4) Finance; 5) Government; 6) Rules, Calendar, and Operations of the House; 7) Transportation; 8) Joint Legislative Program Evaluation Oversight Committee; and 9) the Revenue Laws Study Committee. Moffitt also serves as Chairman of the North Carolina Sportsmen's Caucus.

A successful, self-made businessman, Tim Moffitt is the founder and CEO of Moffitt International, an executive search and management consulting firm. For the last 28 years, he has assembled executive management teams and overseen a wide-array of high-profile projects for governments, Fortune 500 companies and charitable organizations all over the world.

Representative Moffitt is the proud father of three sons, ages 20, 18 and 15. An avid outdoorsman, he is actively involved in the community as a youth baseball coach and Scout Leader. Moffitt is a fourth generation native of Asheville, N.C., where his family still makes its home.



Private Sector Chairman Profile:

## Brandie Davis – Director, U.S. Affairs

Philip Morris International (PMI)

Chairman – Task Force on International Relations

**MS. BRANDIE DAVIS** is the Director, U.S. Affairs for Philip Morris International (PMI) and the private sector chair of the Task Force on International Relations. In her role at Philip Morris International, Ms. Davis is responsible for advancing PMI's interests before the U.S. Congress, the Administration, in relevant states and with foreign governments. In this capacity, Ms. Davis works on issues concerning excessive regulation, international trade, intellectual property and corporate taxation. Moreover, she leads PMI's agricultural engagement efforts, including the implementation of the agricultural labor practices program in the United States.

Ms. Davis, on behalf of PMI, began her collaboration with the American Legislative Exchange Council in 2008 and has contributed much during her tenure. She is an active member of both the International Relations and Tax and Fiscal Policy task forces and was recognized early on the IRTF's potential as a policy vehicle. Her leadership helped the task force build a substantive body of international trade policy, raising the American Legislative Exchange Council's profile in this arena and demonstrating that state legislators have an interest and a role to play in championing sound international trade policy. Her hard work and dedication earned her the American Legislative Exchange Council Private Sector Member of the Year Award in 2012.

Ms. Davis has a Bachelor's Degree in Political Science from Indiana State University and a Masters Degree in Public Administration from the American University School of Public Affairs. In addition to her work with PMI, Ms. Davis served as the President of the National Association of Business Political Action Committees (NABPAC). She is also on the Tax and Public Affairs Steering Committees at the National Association of Manufacturers.





# LNG Exports – A Story of American Innovation and Economic Opportunity

BY JASON FRENCH

**T**he American energy landscape is undergoing a transformative change. The United States, long seen as the poster child of world energy consumption, is poised to become a global energy producer. Nowhere is this change more evident than in the natural gas market. Less than a decade ago, economists feared that high prices and tightening natural gas supplies posed a threat to the domestic economy. Today, American innovation and technology have unlocked an abundant supply of natural gas – making the United States the world’s largest producer. Under optimistic consumption scenarios, the United States is projected to have over 100 years’ worth of natural gas supplies.<sup>1</sup>

This paradigm shift has brought many benefits: lower energy costs for consumers, a resurgence in American industrial investment and now the opportunity to export liquefied natural gas (LNG). By cryogenically cooling and liquefying natural gas, companies can safely transport it to customers around the world – all while creating American jobs and economic growth.

Support for LNG exports has been broad and diverse – with business leaders, elected officials and average citizens trumpeting the potential economic benefits. A bipartisan Congressional coalition has pushed federal regulators to expeditiously review and approve pending export projects. A recent study commissioned by the U.S. Department of Energy found unequivocally that exports of LNG would benefit the United States. A few voices of dissent have emerged in the

industrial sector, claiming exports will lead to higher domestic prices; however, multiple studies have shown that domestic price impacts will be minimal.<sup>2</sup> The American Chemistry Council, the National Association of Manufacturers and the U.S. Chamber of Commerce have all endorsed LNG exports – arguing that free access to the global marketplace will create economic opportunity for Americans.

The debate over LNG exports has been largely confined to Washington D.C.; however, the debate’s outcome will have a significant impact on the states. For those states where LNG export facilities are located, the economic benefits will be tremendous. In Louisiana, Cheniere Energy is building the \$12 billion Sabine Pass Liquefaction facility. With a recently announced expansion, the total project cost will exceed \$16 billion and represent the largest industrial investment in the state’s history. Construction is expected to last five to seven years and will employ over 4,000 people, in addition to creating over 400 permanent jobs.

The economic benefits of LNG exports will extend well beyond the coastal states where facilities are built. Every 2 billion cubic feet per day (bcf/d) of exported gas will support 50,000 jobs in the exploration and production sectors.<sup>3</sup> This far-reaching benefit will be felt across the 32 states that produce natural gas. U.S. manufacturers will produce much of the equipment necessary to build LNG export terminals: steel, turbines, piping, compressors, electronic equipment, etc. One study estimates that LNG exports could support up to 452,000 jobs and contribute \$73 billion in economic activity each year in the U.S.<sup>4</sup>

*Continued, page 9*



# States' Energy Policies Promote Peace and Security

BY DR. MERRILL MATTHEWS

**T**he most important benefit that could emerge from the U.S. domestic oil and gas boom may be the one least recognized so far: increased international peace and security.

The U.S. energy production expansion, which sounds like the result of federal policy, has been almost entirely a state-initiated phenomenon. Indeed, in recent years, the federal government has denied, delayed, deferred or slow-walked almost every effort to boost U.S. energy production, even as it claims credit for the current surge.

The state-led energy production effort has turned the U.S. into the largest producer of natural gas, and oil may not be far behind. While the U.S. ranks third and rising among the top 10 major oil and gas-producing countries, at least three of them – Russia, Iran and China, plus Venezuela (13th) – are totalitarian regimes. This fact creates serious problems for the U.S. and its allies, as well as for non-aligned countries that don't want to be beholden to the whims and foreign policies of dictators.

The U.S. does not use energy as a bargaining tool to get what it wants from other countries. However, Russia, Iran, Venezuela and to a lesser extent China do use “energy diplomacy” as a tool to buy regime support and funnel cash to nefarious efforts, including terrorism, political suppression and international unrest.

Russia provides about a third of the Europe Union's (EU's) oil and gas needs and is entering the Asian markets. For decades, Russia provided energy at significantly below-market prices to financial basket

cases like Cuba and the Soviet Bloc countries of Eastern Europe, which helped to keep those surrogates dependent while hiding the failure of their socialist economies.

But for at least a decade, Russia has been charging above-market prices and has even disrupted supplies in the dead of winter to nearby countries that did not have alternate energy purchasing options. That pricing strategy helped fund Russian engagement in international mischief and made Russian President Vladimir Putin more popular at home than he might have been.

Iran also has used energy as a bludgeon, even threatening to stop oil shipments through the Strait of Hormuz if Israel or the U.S. ever raises a hand against it.

The late Venezuelan strongman President Hugo Chavez used his oil money to prop up Cuba and to funnel cash to other socialist regimes and terrorists.

Many energy-dependent countries would like to be free of this oil and gas stranglehold to pursue their own foreign policy interests and alignments. The U.S.—that is, the states—can make that happen.

Creating surplus energy in the U.S. depresses the price both here and in other places and provides more options to the “energy captives” to break the energy stranglehold.

Energy surpluses allowed some EU countries to demand that Gazprom, which handles virtually all of Russia's natural gas exports, cut some prices by about 20 percent—and reduced Putin's bottom line.

This shift is not necessarily permanent; it depends on continued U.S. production and the ability to export some of that energy.

*Continued, page 9*





## Our Next Economic Stimulus: LNG Exports

BY THE HONORABLE BILL JOHNSON, OHIO (CD-6)

**C**urrently, in states like Pennsylvania and Ohio, there is an ongoing energy revolution. New drilling technology and increasing private investment have provided access to an enormous amount of natural gas in this region of the country. These vast ‘underground oceans’ of natural gas, combined with smaller pockets of gas in other parts of the country, have led to a nation-wide surplus of natural gas and consistently low prices. These low natural gas prices, in the absence of a large domestic market, have served as a disincentive to an industry that has invested billions of dollars, much of that in regions that have suffered greatly through the economic downturn of the last decade.

This economic conundrum presents a unique opportunity for our nation – an opportunity that many feel is not being adequately embraced. Along the eastern and gulf coasts of the United States reside terminals originally built to import natural gas from around the world. These terminals now lie dormant as the U.S. has access to one of the largest, most easily accessible and cheapest stores of natural gas. We have the ability to leverage this natural gas surplus into billions of dol-


lars of investments by converting these terminals into natural gas liquefaction and export facilities and incentivizing producers to continue their investments in the Midwest and throughout the U.S. However, to access the most desirable international markets – countries with which we typically do not have free trade agreements (FTA) – the Department of Energy (DOE) must approve an application for each company requesting to export to these countries. Currently, this process is at a near standstill.

It is unclear as to the specific reasons why DOE has slowed the process after approving the first facility in 2011 and the second in May of 2013, but the most common criticisms revolve around the fear of potential environmental damage and driving up costs for domestic consumers. The Department of Energy commissioned a study of LNG by the National Economic Research Associates (NERA) to examine these concerns. The results of this report, released in December 2012, were overwhelmingly positive. NERA stated in the executive summary: “Across all these scenarios, the U.S. was projected to gain net economic benefits from allowing LNG exports. Moreover, for every one of the market scenarios examined, net economic benefits increased as the level of LNG exports increased.”



While there are numerous economic benefits to expanding LNG exports, the most important factor may be geopolitical. Countries like Germany, Japan, Lithuania and select Caribbean islands are desperate to diversify their energy imports and trade with a stable country like the U.S., as opposed to relying on Russia and Venezuela. As a 26-year-veteran of the United States Air Force, I understand the value in building stronger economic and diplomatic ties with these countries.

It is clear that our competitive advantage will not last forever and the time to act is now. Countries like Russia, China and Iran see our emergence coming on the horizon and are rapidly increasing their production and LNG exportation agreements. The coalition of supporters is expanding, from the 110 Members of Congress who signed a letter to DOE urging movement on pending waivers to the numerous countries who want to buy LNG from the U.S. I am heart-

ened that the American Legislative Exchange Council's Task Force on International Relations has recognized our brief window of opportunity and will consider a resolution on LNG exports at the Annual Meeting in Chicago. I hope the Department of Energy and the administration will hear our call for action and take swift steps to approve increased LNG exports. 




**CONGRESSMAN BILL JOHNSON** is now serving his second term for Ohio's sixth district in the U.S. House of Representatives. He is a prominent member of the Energy and Commerce Committee and formed the LNG Export Working group with fellow Ohio Representative Tim Ryan (CD-13).

*LNG Exports, continued from page 6*

LNG exports will also further America's geopolitical goals. American LNG will provide a stable and secure energy source for our allies in Europe and Asia, many of whom are dependent on Russia and the Middle East for their natural gas supplies. From an environmental perspective, American LNG will displace fuel oil and other more polluting energy sources across the globe. Finally, LNG exports will have a significant impact on the U.S. trade deficit, with Cheniere's Sabine Pass project alone reducing the deficit by \$7 billion a year.

The energy landscape in America has changed dramatically in the past decade, creating previously unimaginable opportunities. However, the window for seizing those opportunities is limited. Other nations like Australia are building their own export terminals and working to meet world LNG demand. Without timely permitting processes and regulatory approvals, the U.S. will fall behind our competitors in

the global marketplace. To date, only one project – Cheniere's Sabine Pass facility – has received all of the required regulatory approvals to move to construction.

Companies like Cheniere Energy have stepped to the forefront to build export facilities in the U.S.; customers around the world are clamoring for access to American natural gas; and states and communities across the nation are ready for the jobs and economic growth that will result from LNG exports. It is imperative that U.S. policy support fair and open access to the global marketplace and allows us all to capitalize on this unique moment in America's energy history. 



**JASON FRENCH** is the Director of Government and Public Affairs with Cheniere Energy.

1 The Potential Gas Committee estimates the U.S. has proved and technically recoverable natural gas resources totaling 2,688 Tcf. See press release, "Potential Gas Committee reports significant increase in magnitude of U.S. natural gas resource base," April 2013.

2 Deloitte Center for Energy Solutions and Deloitte MarketPoint LLC, "Made In America: The Economic Impact of LNG Exports From the United States," (2011).

3 The Perryman Group, "The Anticipated Impact of Cheniere's Proposed Corpus Christi Liquefaction Facility on Business Activity in Corpus Christi, Texas, and the U.S.," April 2012.

4 ICF International, "U.S. LNG Exports: Impacts on Energy Markets and the Economy," May 2013.


*Promoting Peace, continued from page 7*

Coal is easy; the bigger challenge is natural gas.

The U.S. must move forward with plans that will turn cheap and abundant natural gas into liquefied natural gas (LNG) for export. Private sector companies are pushing forward to make it happen—if only our federal government will allow it.

Securing an adequate domestic supply of energy is a national security priority; our economic and foreign policies should not be guided by the fear that an energy-exporting strongman will cut off our energy supplies.

Ensuring other options for energy-dependent countries would reduce the potential of outside domination, help dry up the coffers of countries that would harm the U.S. and its allies and dramatically increase U.S. manufacturing and exports.

If Russia, Iran, China and Venezuela have no energy monopoly over their neighbors, they would have very little control and even less money. The states have the power to make that happen by implementing pro-energy producing policies. Washington will not take the lead, so states must. Producing and exporting U.S. energy may be the closest thing we've seen to a real "peace movement." 



**DR. MERRILL MATTHEWS** is a resident scholar at the Institute for Policy Innovation in Dallas, Texas, and serves as the Policy Level Private Sector Chair for the Task Force on International Relations/Federalism Working Group.

# Fracking in Illinois... A Battle of Two Passions

BY THE HONORABLE DAVID REIS, ILLINOIS (HD-108)

**T**he endeavor to bring high-pressure, high-volume fracturing to Illinois has been a long and challenging task. In fact, the legislative process became a thunderous battle between two passions.

The New Albany shale formation that covers much of Southern Illinois, Indiana and Kentucky is widely accepted as a major source of hydrocarbons and is estimated to be the fourth largest shale play in the United States.

Production companies throughout the country are well aware of this untapped gem and have already invested over \$200 million in land leases in Illinois alone. Scattered test wells have been drilled across the region and industry is ready to bring this exciting new technology to Illinois.

Considering the possibility of creating 45,000 new jobs, a state whose budget is hemorrhaging with red ink and with so much success in states like Ohio, Texas, Oklahoma, Wyoming, Kansas and North Dakota, why has Illinois been so slow to jump on board?

Enter the other side of the equation: Illinois politics and, more importantly, a heavy dose of environmental influence.

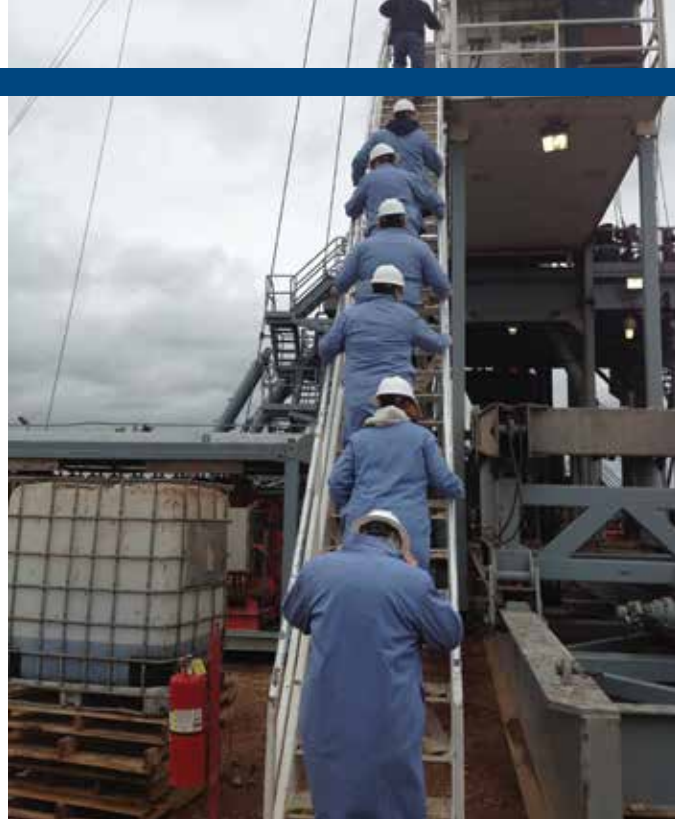
Unlike other states that have experienced great success with fracking, Illinois is controlled by a majority of elected officials who are more concerned about pleasing environmental groups than growing Illinois' struggling economy.

Throughout the nearly two-year-long negotiation process, proponents stayed focused on the facts and positive successes of other states. Our country has a strong track record, as there are over 1.3 million successfully fracked wells in the United States.

The 2013 spring meeting of the Task Force on Energy, Environment and Agriculture in Oklahoma City focused on fracking in the U.S. and gave attendees a snapshot of the mind-boggling economic benefits of this new industry. Task force members took a tour of Devon Energy sites that also showcased the elaborate methods used to drill horizontal wells, protect the environment and collect, transport and process the natural gas obtained from the wells. It was a very informational summit and allowed state legislators from across the country to gather and share valuable information.

The well-funded energy development opposition, however—fueled by Hollywood celebrities like Josh Fox—continued to use inaccurate stories and hyped propaganda to move their agenda this session. The result was some very intense and passionate meetings in the Illinois legislature.

In the end, the final product that passed the legislature in late May represents the strongest set of hydraulic fracturing regulations in the country. These regulations will not only protect property rights and the environment, but will also allow industry to invest, drill and grow in Illinois.



State legislator members tour natural gas drilling rig near Oklahoma City at the Spring Task Force Summit in May 2013

It's been a long and passionate legislative battle between very diverse beliefs. When industry, business groups, labor unions, the Farm Bureau, environmental advocates, legislators, along with the Governor, state EPA Director and the Attorney General can all stand together at a press conference - I guess we did our job.

It's time to start drilling! 

## ILLINOIS FRACTURING LEGISLATION KEY POINTS : SB 1715

- Establishes the Illinois Department of Natural Resources as the regulatory agency to issue permits.
- Sets applications fees to fund State agencies responsible for industry regulations.
- Establishes setbacks for residences, churches, schools, hospitals, nursing homes, nature preserves, existing water wells, bodies of water, and public water supplies.
- Provides for public notice, comment, and hearings.
- Requires baseline and post-frack water testing guidelines.
- Establishes well casing preparation, construction, blowout prevention, and emission control standards.
- Establishes requirements for chemical disclosure.
- Creates a Task Force on Hydraulic Fracturing Regulation.
- Implements a graduated oil severance tax based on production.



**REPRESENTATIVE DAVID REIS (HD-108)** is currently serving his fifth term in the Illinois General Assembly. He is a fifth-generation family farmer and serves on the Task Force on Energy, Environment, and Agriculture.

# Tackling Agriculture at the American Legislative Exchange Council: An Oregon Perspective

BY THE HONORABLE SAL ESQUIVEL, OREGON (HD-6)

I am honored to serve as the new co-chair of the American Legislative Exchange Council's Energy, Environment and Agriculture subcommittee on agriculture and hope to share my experiences as a legislator in Southern Oregon with lawmakers from all across the United States.

Oregon is a land that is blessed with an abundance of natural resources. The fertile soil of the Willamette Valley, the Rogue Valley and other areas of the state allow us the opportunity to produce any number of crops. They include pears, nuts, fruits, Douglas fir trees, wheat, alfalfa hay, potatoes and many other products. We have a wide variety of nurseries, orchards, vineyards and all kinds of agricultural operations.

How could this happen? How is it possible that a state with so much going for it can **perform so poorly in such key areas?**

Yet, despite all of that, Oregon is still a relatively poor state.

Statistics indicate 44 percent of our children are living in poverty. In November 2011, it was revealed that Oregon led the nation in food stamp use.

How could this happen? How is it possible that a state with so much going for it can perform so poorly in such key areas?

In my opinion, it is due largely to something else that we have in abundance: excessive state government regulations.

Oregon adopted stringent land-use laws in 1973, creating a state-wide system of restrictions that have hampered our economy ever since. And even though the other 49 states have had more than 40 years to follow our lead, none of them have actually done so.

This system allows literally anybody in the world to file an appeal against any development in Oregon for any reason at all. It has restricted the ability of many of our counties to develop an adequate tax base and has caused housing to become unaffordable for working families.

Another challenge involves the federal ownership of large sections of land. Many Oregon counties have at least half of their land under the jurisdiction of either the Bureau of Land Management or the U.S. Forest Service.

That worked just fine for decades, as timber harvests were allowed to happen. The revenues raised through those activities were split between the federal government and local entities, which used the money to fund vital services like roads and law enforcement.

All of that began to change with the passage of the Northwest Forest Management Plan in 1994. Lumber mills that provided family wage jobs for generations of Oregonians began closing down.

Communities that were once vibrant and thriving became increasingly destitute. Healthy forests became more and more susceptible to catastrophic wildfires.

Those trends continue to this day, with no immediate end in sight. The federal government retains ownership of what is commonly referred to as the O&C lands. They are tracts of land spread out in a checkerboard pattern, which makes coherent management impossible.

In response to logging restrictions on federal land, a policy was created that essentially paid counties to make up for that lost revenue. Those funds did nothing to stimulate the private sector and went straight to the county courthouse to pay government employees. But it was better than nothing and kept vital services intact.


However, those county payments have been phased out over time, and no single industry has emerged to replace the timber harvests we relied on for so long.

It isn't for lack of trying, though. Along with some of my legislative colleagues, I've been working to unlock some of Oregon's unlimited potential by utilizing some of our resources to create jobs and get our economy back on track.

The mighty Columbia River flows along a large section of our northern border. In Washington, water from the river is diverted to irrigate cities like Walla Walla, producing a flourishing agricultural sector in the process.

Studies show that taking a similar approach in Oregon could result in the creation of 10,000 jobs, which our rural areas desperately need.

Predator management has also become a big issue in my home state. Ranchers face the constant loss of their livestock and threats to their livelihood at the hands of cougars and wolves. But that is not well understood by residents of Oregon's large urban centers like Portland and Eugene, who tend to dominate this state politically.

As you can see, we have any number of challenges facing us in Oregon, especially with regard to agriculture. I look forward to sharing these experiences with ALEC members from other states and am eager to learn new ways to develop positive public policies that benefit our citizens. My new role as co-chair of the Energy, Environment and Agriculture agriculture subcommittee will allow me to exchange information, bills and ideas so we can all work together and solve the most pressing problems facing us all. 



**REPRESENTATIVE SAL ESQUIVEL** represents Oregon's sixth district, which includes the cities of Medford, Ashland, Phoenix, Talent, Jacksonville and part of the Applegate region. He currently serves as the co-chair of the Task Force on Energy, Environment and Agriculture's agriculture subcommittee.





# UNMANNED AE

## Balancing Technology and Civil Liberties

BY THE HONORABLE RICK BECKER, NORTH DAKOTA (HD-7)

**T**he emerging use of Unmanned Aerial Systems (UAS) internationally and occasionally domestically has provoked concerns of intrusions upon our civil liberties. Some have taken the position that UAS should be outlawed, or at least severely restricted, as the best means to most assuredly protect their liberties. Others have felt that such harsh restrictions are unwarranted, unnecessary and reactionary. I took an entirely different approach

in the North Dakota House of Representatives with HB-1373, which passed the House after much debate, only to fail miserably in the Senate.

UAS is a fascinating, albeit worrisome technology. As with any new technology, there is potential for abuse and misuse. The key is to find the balance that maximizes individual liberties while minimizing disruption of the technological advantages of UAS, or overly encumbering the individuals or businesses that use them. Striking such a balance seems significantly more important with this technology,

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# RIAL SYSTEMS

## Open the Sky for Innovation and Entrepreneurship

BY THE HONORABLES STEVE KNIGHT, CA (SD-21); STEVEN BRADFORD, CA (AD-62); JEFF GORELL, CA (AD-44); AL MURATSUCHI, CA (AD-66)

**U**nmanned Aerial Systems (UAS, also referred to as Unmanned Aerial Vehicles or UAV) potentially provide cost-effective, reliable and durable solutions for a wide range of commercial and government needs. The Federal Aviation Administration Modernization and Reform Act, P.L. 112-95, pro-

vides for the integration of civil UAS in the national airspace system by September 30, 2015, and we believe UAS use will deliver overwhelmingly positive results for the nation.

One of the most important potential benefits of UAS is in the area of emergency services. Given their sustained operating capabilities, reduced personnel needs and ability to maneuver into areas that traditional aircraft are unable to reach, UAS can be deployed by emergency services to meet numerous needs. In Oklahoma, UAS are being built to fly into tornados to quickly determine their strength and

*Continued, page 27*



## North Dakota: Energy & Jobs

BY THE HONORABLE BETTE GRANDE, NORTH DAKOTA (HD-41)

**O**ur national economy is struggling to turn around as government spending and regulation lead to economic uncertainty and stifle recovery. A few areas in our country are doing well, however, and serve as lessons for other states and state legislators; these pockets of productivity can lead our nation back to prosperity.

North Dakota's economy is surging; our population is growing; personal income is way up and our unemployment is the lowest in the nation. Our economy is based on agriculture and energy but our current growth comes from the development of our oil and natural gas resources by the creativity and commitment of the private sector. As a state, we have lowered taxes and our regulatory environment encourages the production of coal, natural gas and oil. Our energy and agriculture sectors have lifted our state through the tough times over the past few years.

With this growth come significant challenges. We have experienced the good, the bad and the ugly that comes with a boom of industry in an area that was not prepared for the great influx of people, construction and traffic. We experienced the loss of the small towns we grew up in, the loss of community, the loss of neighborhood. These impacts are real, and, as a state, we are working to address them.

North Dakota is the ideal laboratory for unconventional energy development, blessed with natural resources, 60 years of geological

records, an attractive business environment and private ownership of lands and minerals. Our energy industry has cracked the code, unlocking unprecedented oil and natural gas resources once trapped in tight shale formations. The lessons learned in North Dakota will pay big dividends as other states begin to develop their resources.

With approximately 200 active drilling rigs in North Dakota, we drill and complete about 2,000 wells per year and we have completed nearly 5,000 wells in the Bakken shale formation so far. In order to fully develop the resource, we will need 45,000 wells; we still have a long way to go.

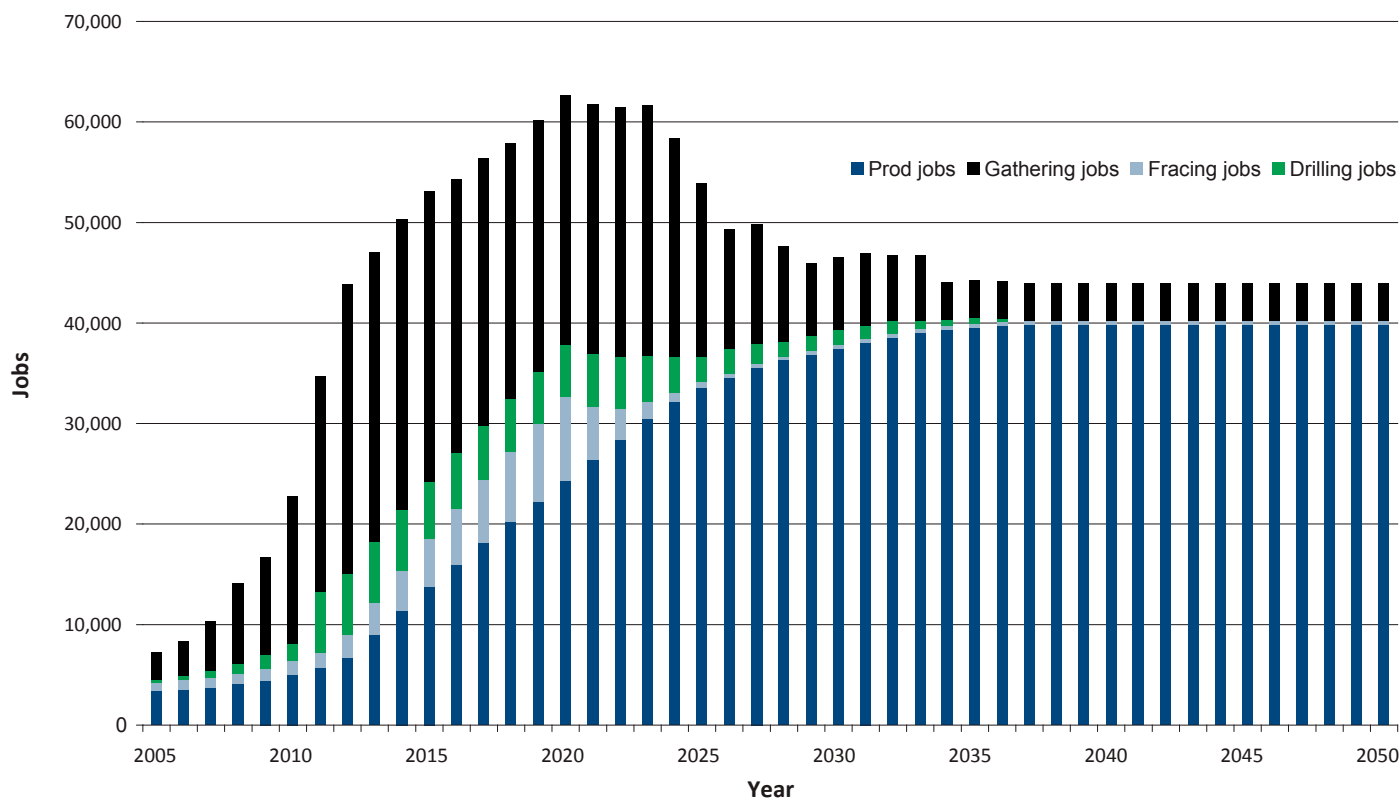
This growth and productivity does not benefit North Dakota alone. Montana is developing its natural resources and its private sector is growing as it provides support, tools and equipment to the energy industry. Bloomberg News reported that graduates of the South Dakota School of Mines and Technology are earning more than graduates of Harvard. Landowners and businesses in Minnesota and Wisconsin are providing the sand used in hydraulic fracturing, spreading development to those local economies as well.

The benefits extend far beyond our region. Demand for steel pipe, railroad tank cars, trucks and heavy machinery are being filled by industry throughout the country, providing jobs and opportunity. Refineries in Philadelphia on the verge of shutting down are now back producing gasoline from North Dakota oil.

The resurgence in our domestic manufacturing sector is now possible because of stable, abundant and affordable natural gas and oil



North Dakota Oil Industry Jobs (Ph2=80% Ph1)




from non-traditional energy plays from Pennsylvania and Ohio to North Dakota and down to Texas. It looks as if we are on the precipice of a second industrial revolution.

In spite of our success and the growing opportunities for economic growth, we face risks. The dark cloud that hangs over the Bakken shale formation is our federal government. The Environmental Protection Agency (EPA) threatens to push out our state regulators and take control of permitting and regulation—moves that could shut down the industry overnight. The Department of Justice has sued seven oil companies for approximately two dozen dead birds found at drilling sites. At a time when our national economy needs jobs and stable domestic energy, the biggest challenge we face is Washington, D.C.

States blessed with natural resources should learn from the energy producing states; you can stand on our shoulders. Develop sound regulations at the state level that ensure public safety but do not stifle economic risk-taking. State-based regulators who drink the water and breathe the air are much better suited to regulate energy development than bureaucrats in Washington. Create a strong business climate through lower taxes and reduced regulation of business. Protect private property rights. Private property and private ownership of minerals are the foundations of our success in North Dakota.

States without energy resources should focus on breathing life into manufacturing and technology that support energy development. We are in the early innings of this resurgence in oil and gas development. Opportunities exist to support and enhance this development with

a state business environment that encourages the building of things and takes advantage of the stable supply of domestic energy.

Energy development in North Dakota and in many other states points the way ahead for our nation. Energy security leads to economic security—which is national security. 

### AVERAGE BAKKEN OIL WELL

Produces 600,000 – 700,000 bbls of oil over 45 yr life

Pays \$7,500,000 in royalties to mineral owners

Pays \$2,125,000 in salaries/wages

Pays \$2,300,000 in operating expenses

Pays \$4,000,000 in taxes

Costs \$8,000,000 - \$9,000,000 to drill and complete

We have completed 5,000 Bakken wells to date of the 45,000 wells required to fully develop the resource.



**REPRESENTATIVE BETTE GRANDE** is a North Dakota legislator who represents the Eastern side of the state (Fargo). Rep. Grande also serves as the American Legislative Exchange Council's Task Force on Energy, Environment and Agriculture energy subcommittee co-chair.

# The Energy Link: Energy-Producing States and Unemployment

BY TODD WYNN and JOHN EICK

**F**ollowing the mid-2007 burst of the housing bubble and the ensuing subprime mortgage crisis just months later, the U.S. economy plunged to depths as great as any witnessed in the past 80 years. Millions across the country lost their jobs, states lost billions of dollars worth of revenue and homeowners lost trillions of dollars worth of equity in their houses. To make matters worse, the resulting economic recovery and job growth has been anemic across much of the country with many families continuing to struggle.

However, the picture isn't entirely bleak. A handful of states have recently made considerable employment gains and may have insulated themselves from future job losses compared to other states by developing their energy resources.

According to data released by the U.S. Bureau of Labor Statistics (BLS) and recently compiled by the American Legislative Exchange

national unemployment rate of 5.6 percent, the 1995 unemployment rate in North Dakota was 3.3 percent or 2.3 percentage points less than the national average. In 2011, North Dakota's unemployment rate was 3.5 percent, a full 5.4 percentage points below the national average of 8.9 percent. Over the course of 17 years, North Dakota's divergence from the national unemployment rate grew by 3.1 percentage points, meaning the state's employment situation improved compared to the rest of the country.

Although many factors likely influence unemployment rates in different states, there appears to be a relationship between energy-friendly states and job growth or, at the very least, insulation from huge job losses during times of economic recession.

Let's briefly examine how West Virginia, North Dakota, Alaska and Louisiana are putting their energy resources to use while creating jobs for their citizens and generating economic growth.

Currently boasting the lowest unemployment rate of any state (3.3 percent as of March 2013), North Dakota has been a huge benefi-

**A handful of states have recently made considerable employment gains and may have insulated themselves from future job losses compared to other states by developing their energy resources.**

Council, the four states that have seen the greatest job growth over roughly the past fifteen years compared to their 46 peers are West Virginia, North Dakota, Alaska and Louisiana. What these four states have in common is that they have embraced energy exploration and production to the benefit of their citizens.

The BLS data used starts in 1995, a time of relative prosperity that came immediately before the dot-com bubble began growing in the late 1990s. The average national unemployment rate at this time was 5.6 percent, slightly higher than what most economists would consider to be full employment in a healthy, growing economy. The data set continues for sixteen years until 2011, just two years removed from the Great Recession, yet still marked by high unemployment and lackluster economic growth. During 2011, the average national unemployment rate was 8.9 percent.

By comparing a state's unemployment rate with the national average unemployment rate, nation-wide trends in unemployment as a result of recession or expansion reveal which states weathered the recession better than others.

North Dakota, a state well known for its energy boom, is a good example of how a state weathered a recession. Compared to the 1995

ciary of both its natural resources and technological advancements. Located within the northeastern part of the state and extending west into Montana and north into Saskatchewan, the Bakken Shale formation is estimated to contain 18 billion barrels of both recoverable and non-recoverable oil. North Dakota is taking advantage of these resources and is currently the second largest crude oil producing state. Largely due to advancements in hydraulic fracturing, oil production in North Dakota increased by an astounding 35 percent between 2010 and 2011. Additionally, North Dakota accounts for 6.9 percent of the nation's recoverable coal reserves and has not been hesitant to mine this valuable resource.<sup>1</sup>

Today, West Virginia ranks third among the fifty states in terms of total energy production. Currently accounting for upwards of 12 percent of all coal produced in the United States, West Virginia is the leading coal-producing state east of the Mississippi River and is second nationally only to Wyoming.<sup>2</sup> By virtue of its location almost entirely within the confines of the Marcellus Shale formation, West Virginia has recently started to increase its production of natural gas and oil via hydraulic fracturing. According to a recent study conducted by the Bureau of Business and Economic Research at West Virginia


| State          | Ranking | 1995-2011 Change in Divergence from National Average | 1995 Unemployment Rate | 1995 State Divergence from National Average | 2011 Unemployment Rate | 2011 State Divergence from National Average |
|----------------|---------|--|------------------------|---|------------------------|---|
| United States  | N/A     | N/A  | 5.6                    | N/A   | 8.9                    | N/A   |
| West Virginia  | 1       | -3.2   | 7.9                    | 2.3   | 8                      | -0.9  |
| North Dakota   | 2       | -3.1   | 3.3                    | -2.3  | 3.5                    | -5.4  |
| Alaska         | 3       | -2.8   | 7.1                    | 1.5   | 7.6                    | -1.3  |
| Louisiana      | 4       | -2.7   | 6.7                    | 1.1   | 7.3                    | -1.6  |
| Rhode Island   | 47      | 1.8  | 6.2                    | 0.6   | 11.3                   | 2.4   |
| South Carolina | 48      | 1.9  | 5.1                    | -0.5  | 10.3                   | 1.4   |
| North Carolina | 49      | 2.8  | 4.4                    | -1.2  | 10.5                   | 1.6   |
| Nevada         | 50      | 4.6  | 5.6                    | 0   | 13.5                   | 4.6   |

University, the economic impact of Marcellus development is considerable. In 2009, up to \$2.35 billion of business volume and 7,600 jobs were the direct effects of developing these resources. By 2015 the number of additional jobs created could be as high as 19,600.<sup>3</sup> Of course, the indirect economic and employment benefits of the Marcellus Shale are far greater, affecting everything from the construction and trucking industries and even to the hotel and restaurant industries.

Despite producing roughly 75 percent less oil now than it did at its peak in the mid-1980s, Alaska is currently the third largest crude oil producing state in the nation. The Prudhoe Bay Oil Field on Alaska's North Slope is the largest oil field in North America and produces over 500,000 barrels per day. Furthermore, Alaska is ranked 11th in the nation in natural gas production and boasts the only liquefied natural gas (LNG) export terminal in the United States.<sup>4</sup>

When it comes to energy production, Louisiana is a behemoth. Louisiana is the second largest producer of natural gas and seventh largest producer of crude oil. Altogether, Louisiana is the fourth highest energy producing state in the nation. In addition to tapping into its natural resources, Louisiana is also home to 18 operating refineries, second to only Texas in terms of operation and overall capacity.<sup>5</sup>

The data suggests that states that have embraced energy production also tend to have more optimistic employment pictures and

can serve as a telling example for states thinking about going in the opposite direction. In the 2013 state legislative sessions across the country, approximately 150 bills addressing hydraulic fracturing have been introduced, with the vast majority hindering, curtailing, or even banning this innovative method of oil and natural gas extraction. A handful of energy-friendly states, however, continue to create regulatory and policy structures that enable energy development while protecting the environment. Not every state is lucky enough to be lying on top of vast energy reserves, but most can still benefit from the ancillary economic impacts of energy production that can be found in all corners of the nation. 



**TODD WYNN** is the Director of the Task Force on Energy, Environment and Agriculture.



**JOHN EICK** is the Policy Analyst for the Task Force on Energy, Environment and Agriculture.

1 U.S. Energy Information Administration, "North Dakota: State Profile and Energy Estimates," <http://www.eia.gov/state/?sid=ND>.

2 U.S. Energy Information Administration, "West Virginia: State Profile and Energy Estimates," <http://www.eia.gov/state/?sid=WV>.

3 Amy Higginbotham et al, "The Economic Impact of the Natural Gas Industry and the Marcellus Shale Development in West Virginia in 2009," West Virginia University Bureau of Business and Economic Research, <http://www.be.wvu.edu/bber/pdfs/BBER-2010-22.pdf>.

4 U.S. Energy Information Administration, "Alaska: State Profile and Energy Estimates," <http://www.eia.gov/state/?sid=AK>.

5 U.S. Energy Information Administration, "Louisiana: State Profile and Energy Estimates," <http://www.eia.gov/state/?sid=LA>.





# EPA's Power Grab: The Centralization of Environmental Protection and its Impact on States

BY TODD WYNN

**C**ongress had a vision for national environmental policy-making when it created the U.S. Environmental Protection Agency (EPA) in 1970. That vision was cooperative federalism, where the EPA and states would work together to effectively balance economic progress with environmental protection. Over the past few years, however, not only has the EPA initiated an outright assault on the American standard of living, but the agency has also systematically begun nationalizing environmental protection by adopting a confrontational relationship with the states.

Congress intended for states to be first among equals in this federalist arrangement of environmental protection, and this makes sense

as the majority of pollution is local and local officials are best suited to solving local problems. In the preamble of the Clean Air Act, Congress explained that "air pollution prevention...at its source is the primary responsibility of States and local governments." Similarly, according to the opening of the Clean Water Act, "It is the policy of the Congress to recognize, preserve, and protect the primary responsibilities and rights of States to prevent, reduce, and eliminate pollution."

The EPA was intended to set environmental standards, which the states would then implement, taking into account local circumstances and conditions. The EPA's role in implementation primarily served to provide technical assistance and financial support. However, since 2009, the EPA has radically shifted this balance of power at the expense of the states' rightful authority.

## EPA POWER GRAB: BY THE NUMBERS

Under both the Clean Air Act and Clean Water Act, the EPA has the authority to “disapprove” a state’s strategy to meet national environmental standards. A regulatory disapproval is no small matter as state officials spend countless hours and taxpayer resources crafting implementation plans to comply with the Clean Air Act and the Clean Water Act. When the EPA issues a regulatory disapproval, the agency effectively throws all of this work out the window.

The number of regulatory disapprovals has skyrocketed under the current administration. The EPA issued 44 disapprovals during President Clinton’s second term, 42 during President George W. Bush’s first term and 12 during Bush’s second term. By contrast, the EPA issued an unprecedented 95 disapprovals during President Obama’s first term, more than a 190 percent increase from the average term disapproval rate during the previous three presidential terms.

Even more alarming is the precipitous increase in the number of EPA takeovers of state regulatory programs. “Federal implementation plans,” or FIPs, are the EPA’s most confrontational action as a FIP entails the complete usurpation of a state’s regulatory authority. From 1997 through 2009, the EPA imposed only two FIPs. Since 2009, the EPA has imposed 19 FIPs, representing a 2,750 percent increase in FIPs from the average presidential term FIP rate during the past three presidential terms.

## SUE AND SETTLE: HOW EPA REPLACES STATES WITH ENVIRONMENTAL GROUPS

Forty percent of the EPA’s regulatory takeovers and aforementioned FIPs were derivative of “sue and settle,” a legal strategy by which the agency effectively replaces state participation with that of environmental groups like the Sierra Club. Since 2009, the EPA has imposed at least \$13 billion in annual regulatory costs that resulted from sue and settle litigation.

Here’s how it works: An environmental litigation organization like the Sierra Club sues the EPA for failing to meet a deadline for regulatory action pursuant to the Clean Air Act or Clean Water Act. Instead of challenging the suit, both the EPA and the environmental groups immediately engage in friendly negotiations, which lead to a settlement that determines a deadline. By dictating how the EPA should use its limited resources, these settlements effectively render official policy.

Sue and settle allows the EPA to replace input from the states with that of professional environmentalists. During the three presidential terms prior to President Obama, sue and settle activity totaled 30 agreements. The EPA had 48 such agreements during President Obama’s first term, representing a 380 percent increase from the average sue and settle rate during those previous three presidential terms.

## NEW EPA REGULATIONS AND THEIR IMPACT ON THE STATES


The EPA’s most onerous air quality regulations are for areas that are in nonattainment of a Clean Air Act regulation known as National Ambient Air Quality Standards, or NAAQS. The EPA is currently working on an ozone standard that would plunge 76 to 96 percent of the country into NAAQS-nonattainment. As a result, virtually all states’ ability to

develop industry would be seriously compromised. The compliance costs with a new ozone standard would be staggering. According to a National Association of Manufacturers study, the proposed 60 parts per billion (ppb) ozone standard would lead to a total of \$1 trillion in annual compliance costs and 7.3 million jobs lost.

State legislators should also be concerned about a pending water quality rule that would significantly expand the EPA’s federal jurisdiction under the Clean Water Act. In 2011, the EPA and the U.S. Army Corps of Engineers sought comment on a new interpretation of “navigable waters.” The proposed guidance is so amorphous that nearly every drop of water could fall under the EPA’s jurisdiction. The agency’s interpretation is so expansive that it expressly refuses to categorically exclude swimming pools and ornamental ponds, saying that these water features are only “generally exempt” from federal regulations. EPA and the Army Corps of Engineers have estimated that the annual costs of implementing the 2011 interpretation of the term “navigable waters” will be upwards of \$242 million, and they arrived at that number without taking into consideration permitting costs, increased delays associated with expanded federal jurisdiction and the costs of new land use restrictions.

Moreover, the EPA has proposed a de facto ban on the construction of coal plants and threatens the economic boom created by hydraulic fracturing. In April 2012, the EPA proposed a new regulation known as the Carbon Pollution Standard that would ban the construction of new coal-fired power plants. If finalized, the rule would severely limit the states’ ability to generate affordable and reliable electricity to meet future demand. Hydraulic fracturing, also known as fracking, is currently regulated primarily by the states. The EPA, however, is actively trying to expand its own authority to regulate fracking. In 2012, Fred Hauchman, director of the EPA’s Office of Science Policy within the Office of Research & Development, said the agency is doing “a pretty comprehensive look at all the statutes” to determine where “holes” may allow for additional federal oversight.

## STATE OFFICIALS NEED TO STEP IN

The risks of the EPA’s power grab are severe for the states. There are billions, even trillions, of dollars of direct costs. However, there is also a more insidious price: the loss of states’ rightful authority in environmental regulation. The loss of state authority limits the extent to which local officials take local conditions into account in determining how to improve the environment. By undercutting cooperative federalism, the EPA undermines good environmental policymaking. The Energy, Environment and Agriculture Task Force has recently released a comprehensive report, titled *The U.S. Environmental Protection Agency’s Assault on State Sovereignty*, detailing this power grab. The report also provides a number of tools to ensure a state’s voice is heard in 2013 and beyond. 



**TODD WYNN** is the Director of the Task Force on Energy, Environment and Agriculture.



# Federalism in Action

Our nation's founders recognized the need for local control when writing the Constitution. Guided by the political concept of federalism, the framers protected the rights and jurisdiction of the states; they empowered citizens to innovate, create and build better lives.



# Keep It Local: Federalism in Action

BY HOLLY CARTER

**K**ee it local. It's a phrase we hear often today, whether it's describing where we shop, eat or invest. More and more Americans are choosing to support local businesses and buy local products because we take pride in our local culture and want to see it thrive.

The "keep it local" philosophy should also apply to our government. Today, our tax dollars travel through Washington, D.C. before being invested back into our states and counties. In most cases, the amount arriving at our state capitols is a fraction of the original investment. Beyond this, the federal government passes "one-size-fits-all" legislation and regulation that presumes there are no differences between citizens in California and those in Georgia.

Our nation's founders recognized the need for local control when writing the Constitution. Guided by the political concept of federalism, the framers protected the rights and the jurisdiction of the states; they empowered citizens to innovate, create and build better lives.

For the past few decades, however, states have seemed all too eager to cede power to the federal government in exchange for empty promises. The federal government now has more power than ever before.

The good news, however, is that we can do something to restore the proper balance of power. State and local governments can work together to take back their rightful jurisdiction and put federalism back into action. This restoration of the balance of power begins with knowledge and communication.

Courageous lawmakers at the state and local levels have started questioning the ever-expanding role the federal government is playing in their states and counties. They are starting to push back against the power and control of the centralized government in Washington, D.C..

## FINANCIAL READY UTAH

The federal government's spending problem is no secret. As the national debt inches toward \$17 trillion, states must not ignore the inevitable—the likely reduction in federal funding. States saw this with the sequester and, as long as the federal government continues to spend, states should not rely on federal support as a revenue source to prop up their annual budgets.

Utah is one state that is taking action to ensure that it is prepared for a decline in federal funding. With Financial Ready Utah (FRU), state CPAs, lawmakers, business owners and concerned citizens came together to develop a plan for how to handle federal cuts. "We all know the federal government is broke, and we are not helping Utahns by ignoring reality," commented State Representative and FRU leader Ken Ivory (HD-47). "Financial Ready Utah is working to take control of our fiscal issues by addressing tough questions to ensure a stable

future. Relying on the federal government for answers to our problems will only increase the burden of debt for future generations. We know there is a better way, and in Utah, we are proving that local decisions and solutions work."


Leaders in Utah are putting partisan issues aside and uniting together around a common theme: making their state ready for the future by taking the steps now to reduce dependency on federal dollars. In other words, they are bringing control and decision-making back to the state.

This isn't a revolutionary idea; it's common sense economics that other states should follow. The longer states rely on federal dollars, the more likely they are to remain beholden to the whims and demands of the federal government. Some states receive as much as 45 percent of their state budgets from the federal government. This dependency is unsustainable. States would do well to follow the model set forth in Utah.

## HEALTHCARE COMPACT

Washington's attempt to 'fix' the healthcare system is flawed at best. This one-size-fits-all approach seeks to improve healthcare coverage, but in most cases, it worsens care and leaves states and counties in the red. Legislators in eight states have passed an interstate compact to proactively and constructively push back against the broad overreach of the federal healthcare law. The healthcare compact, when given approval by Congress, will give states the flexibility to solve healthcare problems without federal encroachment.

In Missouri, State Representative Eric Burlison (HD-136) remarked, "Our state joined six states working to return healthcare solutions back to our domain and removing the 'cookie cutter' system that has failed our citizens. Our healthcare problems cannot be solved by politicians and bureaucrats at the federal level in Washington, D.C.."

The Financial Ready Utah initiative and the Healthcare Compact are just two examples of how state and local leaders have refused to accept the status quo. Those leaders are fighting to bring control back to the local level where decisions are best made. They're proving that local decision-making really works. They are not alone, which is where Federalism in Action comes in. Federalism in Action empowers state and local leaders who want to see citizens in control of their future—those who want to keep it local. We hope you will join us. 



**HOLLY CARTER** is the Manager of Federalism in Action, a joint project of State Budget Solutions and State Policy Network. You can learn more by visiting the organization's website: [www.federalisminaction.com](http://www.federalisminaction.com).

# Japan's Inclusion in the Trans-Pacific Partnership is a Boon to America's Economy

BY KARLA JONES

**W**ith its recent decision to allow Japan to enter into negotiations on the Trans-Pacific Partnership (TPP), the office of the United States Trade Representative (USTR) has displayed wise judgment, sound leadership and a solid grasp of the market conditions necessary to boost American economic prosperity for decades to come.

The Trans-Pacific Partnership represents 12 nations that collectively comprise \$27 trillion of economic output, which is nearly 40 percent of the global Gross Domestic Product (GDP) and more than that of the entire European Union. The TPP is a multi-lateral trade initiative with the power to significantly transform the global commercial landscape. As the third strongest economy in the world, Japan augments that power appreciably.

Japan's inclusion in the TPP will have a large and lasting effect on multiple elements of the United States economy, most immediately on job creation. The U.S. Chamber of Commerce says the Asia-Pacific region is expected to import nearly \$10 trillion worth of goods by 2020. This represents an increase in U.S. exports of \$600 billion and would support more than three million jobs.

As the world's largest buyer of natural gas, Japan is about to become **a very welcome customer to America's burgeoning natural gas industry.**

Many key export interests for the U.S. – including agriculture, natural gas, automobiles and IP-related industries – will benefit enormously by eliminating barriers to trade and investment. Every industry benefits from freer, fairer trade, but a closer examination of just a few of them reveals compelling economic data in support of the TPP and Japan's inclusion in it.

The American automobile industry can readily attest to the impact that Japan's investment has had over the years. So, too, can Michigan and Ohio, hosts to many car manufacturers.

Japan's auto market has created nearly 400,000 new American jobs in recent years, directly supporting employment in economically struggling states like Michigan and Ohio. In fact, Japan is a leading foreign investor in Michigan and Ohio, responsible for 481 and 423 fa-

cilities, respectively. The majority of Japanese facilities in both states are manufacturing in nature: 64 percent of those in Michigan and 52 percent of those in Ohio. Combined, these Japanese car manufacturers employ more than 101,000 people in Michigan and Ohio.


As the world's largest buyer of natural gas, Japan is about to become a very welcome customer to America's burgeoning natural gas industry. In 2012, Japan imported a record 87.31 million tons of liquefied natural gas (LNG), an increase of 11.2 percent from 2011. Not a drop of it came from the U.S., one of the world's biggest natural gas-producing countries, and a close ally of Japan. Too many obstacles to trade and investment were in place, and as a result, Middle Eastern and Russian LNG suppliers benefited at our expense.

With Japan's nuclear energy program sitting dormant, Japan's reliance on LNG can only grow. In fact, Japan faces the prospect of replacing some 12,000 megawatts of generating capacity. The TPP will ensure we are welcomed into a market for which we are very well suited. Abundant American supply, the significant discount it represents compared to European LNG and our standing as a long-time ally of Japan makes us an ideal source.

America's agricultural community will also see remarkable gains from Japan's participation in the TPP, which is why more than 70 food and agricultural organizations came together to advocate for Japan's entry into the TPP talks, sending a joint letter to President Obama.

U.S. agricultural exports to Japan in 2012 totaled \$13.5 billion, rendering them our 4th largest agricultural market. Japan continues to earn the distinction as the largest market for U.S. pork, importing over 490,000 metric tons, valued at \$1.9 billion in 2011; a 19 percent increase from the previous year. Industry experts estimate that Japan's inclusion in the TPP will see the creation of more than 20,000 U.S. pork-related jobs.

Finally, countries that participate in the TPP must comply with codified laws and regulations that protect intellectual property. Japan's participation would guard against any possible global piracy of software and all manner of digital intellectual property. With these IP protections in place, America can maintain her competitive advantage on high-tech innovation.

In state capitols across the country, legislators and executives are searching for ways to ignite local economies and get Americans back to work. The TPP is one major solution: a trade agreement that promises a path toward prosperity for many U.S. industries in all 50 states. Congress and the Obama administration need to swiftly secure Japan's full participation in the TPP talks that resume in July. We cannot afford to wait any longer. 



KARLA JONES is the Director of the Task Force on International Relations and the Federalism Working Group.

# The Keystone XL: An Environmental Perspective

BY THE HONORABLE JIM SMITH, NEBRASKA (LD-14)


**F**lying over the vast boreal forest of Canada, it is impossible not to be inspired by the dense natural beauty. The boreal region has a unique ecosystem that is home to an abundance of forest species and wildlife habitat, and it serves as a source of great pride for the people of Canada. Driving across north-central Nebraska, one gains a similar appreciation and admiration for nature. This area of Nebraska is home to the Sand Hills, the largest and most intricate wetland ecosystem in the United States. Covering one quarter of Nebraska, the Sand Hills are comprised of mixed-grass prairies on grass-stabilized sand dunes.

Apart from their unique geographic features, these regions share at least one other common interest. Both regions will play a key role in developing North America's energy independence. In 2011, Nebraska found itself in the national spotlight during the debate over the construction of the TransCanada XL Pipeline, a multi-billion dollar project to deliver millions of barrels of oil from Alberta, Canada to refineries along the Gulf Coast of the United States. After more than a year of controversy, protests and lengthy discussion, Nebraska did its part to move this critical energy project forward by passing a bill I sponsored that provided an alternative pipeline siting process. The process allowed for a comprehensive and public study of a route that avoids the ecologically sensitive Sand Hills region.

During the debate on the XL Pipeline, however, opponents of the project continuously attacked the excavation practices in the oil sands region of Alberta, which serves as a source for the oil that will eventually flow through the pipeline. Last fall I was able to put opponents' concerns into perspective during a trip, arranged by the American Legislative Exchange Council's Task Force on International Relations and the Government of Alberta, to tour oil excavation sites in the oil sands region. The trip also included a tour of TransCanada's dispatch and monitoring facility in Calgary and the opportunity to meet personally with regional energy and environmental experts.

In a meeting with Cameron Brown, Director of U.S. Access at the Alberta Energy and Utilities Board, I learned of the strict environmental standards under which the companies developing the oil sands must operate. Before projects ever begin, companies must submit plans that undergo substantive environmental assessment. The Government of Canada requires extensive environmental monitoring throughout the life of each project and further requires the oil companies to take measures to return the land to its original condition, ensuring remediation of 100 percent of the mined land.

Mr. Brown's comments were verified during our visit to the Shell Albian Sands and the Devon Jackfish 2 facilities. Representatives of both Shell and Devon demonstrated the extensive measures taken by the companies to reduce the environmental footprint of their operations and the significant investments made to develop new technologies that reduce greenhouse gas emissions. Moreover, meaningful efforts are also made to replenish natural resources by replacing the sand once the oil has been extracted and by recycling the water used in the process.

The precautions we've taken in Nebraska to protect our environmentally sensitive areas and to ensure reclamation of the land mirror the efforts in Alberta. Our regulation and oversight allow the oil industry to bring valuable jobs and economic growth to our respective communities, while being responsible and respectful of the land. With our neighbors to the north, we share a desire to minimize disruption of the land and cooperate with industry to bring growth and energy security to our citizens. 



**SENATOR JIM SMITH** serves on the Nebraska Legislature's Natural Resources Committee and as the Nebraska State Chair for the American Legislative Exchange Council. He also participated in the Task Force on International Relations' Oil Sands Academy in October 2012. Senator Smith represents Legislative District 14.





# The Versatility of Plastics

BY JANE ADAMS

**T**he word “plastic” has its roots in the Greek word “plastikos”, which translates into “capable of being molded or shaped.” From guitar picks to surfboards, truck bed liners, water tanks and more, plastics can be machined, molded or formed into almost any shape and size imaginable. The many uses for plastics, which are lightweight, resilient, durable and recyclable, are numerous indeed.

The plastics industry, the third largest manufacturing sector in the United States, employs nearly 900,000 workers and provides \$380 billion in annual shipments. The plastics industry supply chain includes brand owners, processors, machinery and equipment manufacturers and raw material suppliers.

Stretching from coast to coast, north to south, the plastics industry has a footprint in every state. The top states in terms of employment

for the plastics industry are: California, Illinois, Indiana, Iowa, Kentucky, Michigan, New York, North Carolina, Pennsylvania, Ohio, Rhode Island, South Carolina, Tennessee, Texas and Wisconsin.

The industry is comprised of many small to medium and larger-sized businesses that create good paying jobs, contribute time and resources to their communities and provide scholarships for further education. The products manufactured are many and diverse.

A few examples of manufactured plastic products are:

Semi-conductors – Used extensively throughout the semiconductor industry, especially where high-temperature processing is required, plastics are dimensionally stable at high and low temperatures. Plastics provide clean and contaminant-free surfaces and are not affected by harsh chemicals, strong acids or solvents. Last year, researchers at Georgia Tech’s Center for Organic Photonics and Electronics discovered a new technique to reduce the work function of a conductor and by doing so, created the world’s first plastic solar cell. The creation of

the plastic solar cell could change the requirements for the manufacturing of organic printed electronics, resulting in less expensive mobile devices.

**Medical** – Plastics are involved in critical surgeries, life-saving efforts and routine medical procedures. Lightweight plastics are used to form replacement joints, non-surgical supports and therapy equipment. Clear plastics provide visibility for transfusions, surgeries and diagnostic equipment. Sterile plastic packaging and plastic medical disposables in particular contribute to keeping cross-infection rates low.

**Automotive** – Higher strength plastic materials that are lightweight, easy to fabricate and help improve fuel economy are used in automobiles. Newer, high-performance plastics can withstand high temperatures and maintain excellent resistance to the combustion process and to solvents. Composite materials are strong, wear-resistant and can handle high loads and impact.

**Packaging** – While the fundamental role of packaging is to deliver the product to the consumer in perfect condition, it also serves a wide variety of other purposes, such as: protection of the product to pre-

to the irresponsible behavior of littering. The noise created by a few, coupled with the urge “to do something,” actually does nothing to address the true problem, which is litter.

Using plastic bags as an example, they are manufactured for a purpose and common sense would tell one that their purpose is not littering. Not only are bags reusable and recyclable, this segment of the industry directly supports close to 31,000 jobs in 349 plants across the country. Furthermore, plastic bags are 100 percent recyclable. According to the U.S. EPA’s report, “Municipal Solid Waste Generation, Recycling, and Disposal in the United States, Tables and Figures for 2010,” nearly 900 million pounds of post-consumer plastic bags and wrap were recycled, a 24 percent increase from the previous year. This was followed up by a 2012 report by Moore Recycling that showed a year later in 2011 over 1 billion pounds of post-consumer bags and wrap were recycled. Recycled plastic can be found in lumber for outdoor decking, carpeting or apparel. EPA’s report also determined that more than 70 percent of the U.S. population is served by curbside, recyclables collection programs. Additionally, curbside programs complement

The industry is comprised of many small to medium and larger sized businesses that create **good paying jobs, contribute time and resources to their communities and provide scholarships for further education.**

vent contamination, spoilage, tampering and theft; information about the product such as a description of the product, contact information, listing of ingredients, branding, storage and “use-by” information.


**Energy Exploration** – When high pressures, high temperatures, abrasive fluids and brine combine, plastics can withstand this environment. Plastics are ideal for use in protective equipment, surface coatings and even structural components. Proper material selection can give long life under conditions which can compromise most metals. Advanced composites are used in down-hole equipment bearings, seals, connectors and insulators.

**Food and Agriculture** – A wide range of plastic applications are used to assist farmers and ranchers in improving food quality, increasing crop production and reducing the ecological footprint of their activity. Drip irrigation systems using plastic pipe and components aid in the efficient use and conservation of water resources. Mulching, or covering the ground with plastic film, helps maintain humidity as evaporation is reduced and also improves thermal conditions for a plant’s root system to take hold and prevents weed growth. Dairy farmers use bags to store silage, which can reduce storage losses due to spoilage and maintain a higher quality feed product.

Yet, from a public perspective, one of the biggest challenges the industry faces is the proposal to ban or tax products due in great part

the many drop-off locations and bins for recyclables that communities and retailers have established in partnership.

Banning a product, whether it be made from plastic or not, results in the picking of winners and losers in a “not-so-free” marketplace. It further impacts the livelihoods of workers and their families. Bans deny consumers a choice whether or not to use or buy a product. Consumer choice, not political mandates, should be the principal catalyst driving a product’s success or failure in the marketplace. This in turn leads businesses and manufacturers to conduct further research and expend capital in the development of new products or processes that consumers will embrace.

The plastics industry welcomes discussions about our work with American Legislative Exchange Council members and looks forward to exploring ways to grow this manufacturing sector of our economy to the benefit of our environment, communities and states. 



**JANE ADAMS** is the Senior Director of State Affairs for the Society of the Plastics Industry (SPI), the plastics industry trade association.

yet vastly more precarious, as the potential for abuse seems inordinately high and the trajectory for even more sophisticated development is extremely steep. UAS, similar to other potentially intrusive technologies, is here to stay. Railing against it in the fashion of the Luddites is unlikely to be successful in the long-term. The best and most realistic solution is to maintain our civil liberties as these technologies emerge and evolve. Proper and improper use of UAS must be explicitly and unambiguously declared, made black-and-white from its inception and continued with every new application.

In HB-1373, limited restrictions were placed on UAS use, and were applicable only in circumstances of use by law enforcement. Private use restrictions were of lesser concern, with abuses in that sphere being more amenable to resolution in civil and criminal court. Consider the difficulty in taking a government agency to court and the meager chances of a successful outcome if one were to do so.

My position is purely philosophical. There is a danger in taking human interaction out of the equation when committing what amounts to necessary violence on fellow citizens. I firmly believe that being present in vivo allows an officer not only to use all of the skills honed during training and previous experience but also to more accurately make a moral assessment of the situation. A remotely based pilot in another city or state, watching a feed like a video gamer, may find it much easier to fire on the citizenry than someone on the ground looking into the face of his target.


The third restriction, to which the law enforcement lobby also objected, was the prohibition of UAS use during the exercise of freedom of speech or freedom of assembly. Nothing could have a more chilling effect on free speech than hovering “eyes and ears in the sky” at a gathering intending to protest policies of the same government which is flying the drones.

UAS is a fascinating, albeit worrisome technology. As with any new technology, there is potential for abuse and misuse. **The key is to find the balance that maximizes individual liberties** while minimizing disruption of the technological advantages of UAS...

The primary restriction of HB-1373 was the prohibition of UAS for surveillance of a person or property in order to gather evidence without a warrant, with said warrant being issued only in the case of a criminal investigation. Prior to committee amendment, the warrant could only have been issued for the investigation of a felony. The warrant was to be specific to UAS, including information such as location and duration of flights. This is where most of the debate centered in the House. Some felt these concerns were simply an expression of technophobia, both unrealistic and paranoid. Others believed the bill was unnecessary, with full protections already afforded by current law and the Fourth Amendment. I was also advised that officers simply wouldn't misuse drones in such a manner. The moment of clarity for me, which essentially addresses each of the above points in one fell swoop, came during a meeting with two sheriffs and a law enforcement lobbyist to review the bill and assess their concerns. I presented the bill simply as a means to ensure proper warrants would be required in order for law enforcement to survey its citizenry. One sheriff countered that he wanted to use UAS to acquire information to enable him to obtain a warrant. This ended the meeting.

A second restriction was a prohibition on the arming of drones with lethal or nonlethal weapons. The law enforcement lobby balked at this prohibition, explaining that there may be circumstances in which deployment of a weapon via drone may not only be convenient, but also a safety measure, allowing officers to keep out of harm's way in dubious circumstances while still being able to deploy a weapon.

Non-restricted use included patrol of national borders, surveying environmental disasters, training and research of unmanned systems, and “exigent circumstances,” meaning when there is reasonable belief that imminent danger is present (missing person, Amber Alert, armed or barricaded suspect, hostage situation, etc.).

In the end, the bill died a sorrowful death in the North Dakota Senate; a victim of concerns much less esoteric than civil liberties. The *coup de gras* was the argument that even the slightest restriction on UAS might possibly hurt the chances of being chosen by the FAA for a UAS test range. Selection could mean significant economic gain for North Dakota, the University of North Dakota and the city of Grand Forks. Ironically, it's my opinion that passage of the bill would have enhanced the odds of being selected as a test range by addressing the privacy concerns (of which the FAA is fully aware) without adversely impacting the development and testing of systems. Moreover, perhaps I am naive to believe that economic gain is a concern secondary to the concern for civil liberties. 



American Legislative Exchange Council Public-Sector Member **REPRESENTATIVE RICK BECKER** (HD-7) began his first term in the North Dakota House in 2013. He serves on the Industry, Business and Labor Committee as well as on the Transportation Committee and is a plastic surgeon in Bismarck.



*Open the Sky for Innovation and Entrepreneurship, continued from page 13*

direction, while in California UAS can assist in identifying forest fire “hot spots.” UAS can also travel into collapsed buildings to find survivors and monitor outdoor sporting events for possible terrorist activities.

On the environmental front, UAS are able to monitor endangered species populations without disturbing them, survey offshore fisheries, prevent illegal harvesting of our nation’s resources, track and detect pollution run-off, and monitor and predict more accurate weather events.

UAS have a wide variety of commercial uses. In agriculture, the systems could spray crops with direct targeting, while providing overview observation and reducing overall costs. Cargo transport companies could reasonably explore using UAS cargo planes to cut costs. From sporting event coverage to window washing to pizza delivery, the possibilities for UAS in the commercial market are boundless.

J.R. Wilson summed up the potential of UAS in the July/August 2013 issue of *Aerospace America*, an American Institute of Aeronautics and Astronautics (AIAA) publication, stating that “while only a handful [of UAS] were aimed at the civilian market as recently as . . . 2011 . . . , a large percentage of those being offered today are . . . intended for commercial, academic, law enforcement – even personal – use. Which is why [Aerospace America’s 2013 UAV] chart [www.aerospaceamerica.org] contains such new mission categories as Public Safety, Civil Air Surveillance, Agriculture/Crop Monitoring, Infrastructure Monitoring, Aerial Photography and Environmental Monitoring. In March 2013, the FAA forecast some 7,500 commercial small UAVs (SUAVs) could be flying in the U.S. within five years...A March 2013 study by the Association of Unmanned Vehicle Systems International (AUVSI) predicts ‘the agriculture market will be at least 10 times the public safety market.’”

While the promise of UAS technology is great, so is the concern that the systems would violate privacy rights of American citizens. In our own state, California, we have already begun the work necessary to balance law enforcement needs with individuals’ privacy rights by introducing Assembly Bill 1327 (lead authors Assemblymember Gorell and Assemblymember Bradford). AB 1327 “would generally prohibit public agencies from using unmanned aircraft systems, or contracting for the use of unmanned aircraft systems...with certain exceptions applicable to law enforcement agencies...and would generally require a warrant for the use of an unmanned aircraft system by law enforcement to block or interfere with electronic communications.” Additionally, “the bill would require images, footage, or data obtained through the use of an unmanned aircraft system under these provisions to be permanently destroyed within 10 days” and prevent the UAS from being armed. AB 1327 is a groundbreaking bill that incorporates the concerns of all stakeholders in the future of UAS, and we believe it strikes the appropriate balance between effective law enforcement and privacy protection.

Currently, the FAA is considering applications for six UAS test sites located across the country, which will help it develop policies to address the privacy and safety concerns of UAS. Questions on flight height, avoidance detection, training and liability, and flight separation are among the many issues that must be addressed before these vehicles take to the sky.


UAS are here to stay, and pretending otherwise squanders an opportunity to develop sound policy. Already, as Wilson notes in *Aerospace*

*America*, 57 countries and 270 companies are currently manufacturing 960 UAS designs, which is a 20 percent increase in companies, 30 percent increase in countries, and 40 percent increase in systems since AIAA conducted its last survey in 2011. By 2025, as predicted by AUVSI in their report *The Economic Impact of Unmanned Aircraft Systems Integration in the United States*, the use of UAS will boost the U.S. economy by \$82 billion and add more than 100,000 new jobs.

While the promise of UAS technology is great, **so is the concern that the systems would violate privacy rights of American citizens.** In our own state, California, we have already begun the work necessary to balance law enforcement needs with individuals’ privacy rights...

For California, that translates to \$14.4 billion in economic growth and 18,000 new high-tech jobs. What is important going forward is for state governments to recognize the benefits of UAS while continuing to craft policies to ensure their effective and appropriate use.

In a jointly submitted comment on the FAA’s UAS Test Site Program Docket: FAA 2013-0061, Jerry Brito, Eli Dourado, and Adam Thierer of the Technology Policy Program of the Mercatus Center at George Mason University stated that “like the Internet, airspace is a platform for commercial and social innovation. We cannot accurately predict to what uses it will be put when restrictions on commercial use of UAS are lifted. Nevertheless, experience shows that it is vital that innovation and entrepreneurship be allowed to proceed.”

In that spirit, we should not ignore the potential of UAS to better our lives, our communities, and our nation, as we continue to work together to find their most suitable uses, in a way that will benefit all Americans. 

-Research provided by Ross B. Garelick Bell, AIAA



The Honorable Steve Knight, CA (SD-21); Steven Bradford, CA (AD-62); Jeff Gorell, CA (AD-44); Al Muratsuchi, CA (AD-66)

# Misappropriated Aid Results in Missed Opportunities for Africa and for the United States

BY AVI LESHES and ED ELEASIAN

**A**frica has been a major recipient of U.S. aid since the Kennedy Administration, when President John F. Kennedy declared, “Ask not what America will do for you, but what together we can do for the freedom of man.” American aid provides support to many African nations to encourage the development of democratic institutions and free market societies modeled on our own and those of our closest allies. NGOs and a variety of private sector organizations have worked with African leaders to assist with the development of functioning governments and economies. However, many of the continent’s 56 independent nations still face political instability and intractable conflicts, and the continent’s abundant natural resources have failed to generate the economic growth expected.

Western aid, including the U.S., serves to secure food and vital resources for refugees and local populations. The U.S. Department of State, European Union (EU) and United Nations (UN) make annual contributions to aid developing nations in Africa, but much of it is misappropriated. The United States Agency for International Development (USAID) issued a press release on April 13, 2012 stating that four million dollars contributed to UNICEF for its school rehabilitation program in Pakistan is unaccounted for. These contributions came from multiple nations, including the U.S.

The AP reported in November 2011 that the Inspector General’s (IG) office indicted 22 individuals for aid-related charges, such as wire fraud and money laundering. The Independent Commission of War-time Contracting estimated that up to \$60 billion dollars has been lost to waste in both Iraq and Afghanistan. In 2011, the *London Telegraph* published an article detailing theft of U.S. aid earmarked for Kenyan schools by Kenyan school ministers, exposed by Wikileaks cables. In a study by New York University’s Lindsey Leonard, \$201 million in U.S. aid provided to countries in 2006, including Uganda, found that the majority went to the top 20 percent of the local population resulting in lower overall GDP for Uganda. By not ensuring that aid is used as intended, the West has neglected this strategically vital and resource-rich region, precisely when we should be seizing the opportunity to strengthen our partnerships. China, however, is following a different route.



In the last 15 years, China has experienced huge economic expansion, a burgeoning middle class and increased demand for resources such as water, electricity, oil and other commodities to sustain its new urban centers. And while the West focused on other strategic and economic challenges, China has spent the better part of a decade establishing relationships with African countries rich in natural resources and commodities and securing market share. One of the key differences between the American and Chinese strategies is that China has aggressively engaged in infrastructure development. In exchange, China has obtained vast amounts of resources, enabling the creation of a reserve of these commodities to ensure that as the world’s population grows, China will be in position to support itself. Should commodity prices rise due to lack of availability, China will profit massively, not only because it has these commodities in reserve, but also because it owns and controls access to them, a situation that should give the U.S. pause.

China is becoming the dominant player in Africa, forging alliances and providing the necessary resources that the African people and






their leaders seek. China has also enhanced the role of select Chinese companies coming to Africa to obtain the vast resources and commodities available there, thus shutting out the U.S. and the West. China's strategy, however, does not include an interest in helping to foster democratic, independent African nations that are characterized by an adherence to the rule of law that we believe is essential to achieving legitimate and long-term social and economic progress on the continent.

The West's current aid policies risk squandering an opportunity to effect real change in Africa. We have failed to win the hearts and minds of African citizens, many of whom view the U.S. unfavorably, and seem to prefer that their leaders collaborate with China, the source of jobs and infrastructure. It is widely believed that the U.S. has done nothing to help the people of Africa, but rather has helped their leaders or government officials to retain power. It is generally understood that African leaders receive kickbacks from some of the aid the U.S. provides for a variety of projects. In contrast, China imports its own enterprises to Africa and achieves tangible results.

The Royal Miracle Corporation (RMC), a consortium of NYC diamond merchants, has developed an innovative public-private approach that will help the U.S. strengthen its partnership with this vital continent and raise America's standing among the African people. RMC proposes to overhaul the way U.S. aid is allocated to Africa. Much in the way that China has done, funds should be diverted toward infrastructure projects in collaboration with U.S. and African private enterprises. Collaboration would also help many African leaders stamp out the drug cartels and terrorists in various parts of the continent that acquire commodities like gold and diamonds to support their efforts and end their ability to use Africa as a smuggling route to Europe. We explored this topic in the March/April 2013 issue of *Inside ALEC*.

America has the ability to do what China is doing in Africa more efficiently and in a way that promotes the good governance that can put African nations on a sustainable footing. This can be accomplished by bringing together various sectors of our economy: the private sector, NGOs, aid organizations with operations in Africa, and government agencies like USAID. American entrepreneurship and technological advancements position us well to develop durable and affordable projects. In partnership with USAID and NGOs, the private sector will ensure that villages and towns are connected via roads and hospitals and will have access to fresh water and electricity, so that even those who aren't living in city centers will be able to benefit from the expansion and growth that these projects will bring. At the same time, U.S. companies will create joint ventures with African companies to help them mine their own natural resources for sale on the open market. Local people and governments will be the primary beneficiaries of the sale of these commodities, giving African nations the tools to reduce dependence on aid with a greater reliance on their own ability to self-govern and create opportunity for their own people.

In short, we aim to take advantage of the opportunity to strengthen America's partnerships with the nations of Africa and to win the hearts and minds of the African people. Africa has become a new battleground where many terrorists are using the rampant unemployment and sluggish economies as recruitment tools to wrest control of towns and villages from local governments. Large swaths of African territory are controlled by lawless elements. However, taking the approach we suggest will allow these governments to take more control in their fight against the warlords and terrorists living amongst them and who threaten the security of those governments and ultimately our security. 



**AVI LESHES**, Royal Miracle Corporation's Political Liaison, previously worked as the assistant to the Director of Military Programs at the Aleph Institute, served as a specialist in New York Senator Kirsten Gillibrand's office on Military and Veterans Affairs and lived in Singapore for a year where he researched the factors leading to Singapore's vibrant economy.



**ED ELEASIAN**, a Senior Vice President at Royal Miracle Corporation, has worked in the jewelry industry since his high school graduation at 15. Within 10 years he became his company's Vice President and was responsible for a 300% revenue increase as well as a number of innovations that cut waste and improved profits. Ed provides solutions for other firms in the trade by offering media and advertising expertise.





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